

No. 1-1000
Date OCT 24 1978
Fee \$1.00

ICC Washington, D. C.

RECEIVED
OCT 24 12 11 PM '78
FIRST SECURITY BANK OF UTAH,
NATIONAL ASSOCIATION
79 South Main Street
Salt Lake City, Utah 84111
I.C.C.
FEE OPERATION

RECORDATION NO. 9792
OCT 24 1978 12 18 PM
INTERSTATE COMMERCE COMMISSION

9792-B
RECORDATION NO. Filed 1428

OCT 24 1978 12 18 PM

Secretary
Interstate Commerce Commission
Washington, D.C. 20423

9792-A
RECORDATION NO. Filed 1428

OCT 24 1978 12 18 PM

INTERSTATE COMMERCE COMMISSION

Dear Sir:

Herewith for recordation pursuant to section 20c of the Interstate Commerce Act are counterparts of each of the following:

Equipment Lease dated as of September 1, 1978, between Kennecott Copper Corporation, lessee, and First Security Bank of Utah, National Association, and Thomas C. Cuthbert, as trustees, lessor.

Collateral Assignment of Lease dated as of September 1, 1978 (relating to the aforesaid Equipment Lease), between First Security Bank of Utah, National Association, as trustees, assignor, and United States Trust Company of New York, as trustee, assignee.

Equipment Trust Agreement dated as of September 1, 1978, between First Security Bank of Utah, National Association, and Thomas C. Cuthbert, as trustees, grantor, and United States Trust Company of New York, as trustee, grantee.

The addresses of the parties to these documents are:

Kennecott Copper Corporation, 161 East 42nd Street, New York, New York 10017.

First Security Bank of Utah, National Association, and Thomas C. Cuthbert, as trustees, c/o First Security Bank of Utah, N.A., 79 South Main Street, Salt Lake City, Utah 84111.

United States Trust Company of New York, as trustee, 130 John Street, New York, New York 10038.

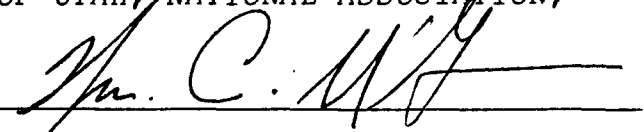
The equipment covered by the above-described documents consists of 22 diesel-electric locomotives, bearing the road numbers of Kennecott Copper Corporation 101 through 107, 120, 121, 122, 701, 704 and 790 through 799, and bearing the legend "Ownership Subject to a Security Agreement Filed under Section 20c the Interstate Commerce Act."

Herewith is a check for \$100 for the required fee. Please accept for recordation the enclosed documents, and return one copy, stamped with the recordation number, to the delivering messenger for transmittal to the undersigned.

Very truly yours,

FIRST SECURITY BANK OF UTAH, NATIONAL
ASSOCIATION, and THOMAS C. CUTHBERT,
as trustees, by FIRST SECURITY BANK
OF UTAH, NATIONAL ASSOCIATION,

By

A handwritten signature in dark ink, appearing to read "Th. C. Cuthbert", is written over a horizontal line.

Interstate Commerce Commission
Washington, D.C. 20423

10/24/78

OFFICE OF THE SECRETARY

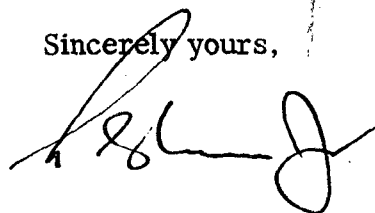
Thomas C. Cuthbert

First Security Bank Of Utah
79 South Main Street
Salt Lake City, Utah 84111

Dear Sir:

The enclosed document(s) was recorded pursuant to the
provisions of Section 20(c) of the Interstate Commerce Act,
49 U.S.C. 20(c), on 10/24/78 at 12:15pm
and assigned recordation number(s) 9792, 9792-A, 9792-B

Sincerely yours,



H.G. Homme, Jr.,
Acting Secretary

Enclosure(s)

SE-30-T
(2/78)

9792
RECORDATION NO. ~~XXXXXXXXXXXX~~ Filed 1428

OCT 21 1978 12 18 PM

INTERSTATE COMMERCE COMMISSION

THE RIGHTS OF THE LESSOR UNDER THIS EQUIPMENT LEASE AND IN ALL EQUIPMENT COVERED HEREBY HAVE BEEN ASSIGNED TO, AND ARE SUBJECT TO A SECURITY INTEREST IN FAVOR OF, UNITED STATES TRUST COMPANY OF NEW YORK, AS TRUSTEE UNDER A TRUST INDENTURE DATED AS OF NOVEMBER 1, 1977, AS AMENDED AND AND SUPPLEMENTED. THIS EQUIPMENT LEASE HAS BEEN EXECUTED IN COUNTERPARTS. SEE SECTION 25(g) HEREOF FOR INFORMATION CONCERNING THE RIGHTS OF HOLDERS OF THE VARIOUS COUNTERPARTS.

EQUIPMENT LEASE

Dated as of September 1, 1978

between

FIRST SECURITY BANK OF UTAH, N.A. and THOMAS C. CUTHBERT,
not in their individual capacities, but
solely as trustees under a
Trust Agreement
dated as of September 1, 1978
between them and the Beneficial Owners therein named,
as Lessor

and

KENNECOTT COPPER CORPORATION,
as Lessee

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EQUIPMENT LEASE

THIS EQUIPMENT LEASE dated as of September 1, 1978 (the Lease) between FIRST SECURITY BANK OF UTAH, N.A., a national banking association (the Corporate Trustee), and THOMAS C. CUTHBERT (the Individual Trustee), not in their individual capacities, but solely as trustees (the Lessor) under a Trust Agreement dated as of the date hereof (the Trust Agreement) between them and the Beneficial Owners therein named, and the entity named as Lessee on the signature page hereof (the Lessee).

W I T N E S S E T H :

SECTION 1. Definitions; Construction of References.

In this Lease, unless the context otherwise requires:

(a) All references in this Lease to designated Sections and other subdivisions are to designated Sections and other subdivisions of this Lease, and the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Section or other subdivision.

(b) The terms defined in this Section 1 or elsewhere in this Lease shall, for purposes of this Lease and all Exhibits hereto, have the meanings assigned to them in this Section 1 or elsewhere and include the plural as well as the singular.

(c) Except as otherwise indicated, all the agreements or instruments herein defined shall mean such agreements or instruments as the same may from time to time be supplemented or amended or the terms thereof waived or modified to the extent permitted by, and in accordance with, the terms thereof.

(d) The following terms shall have the following meanings for all purposes of this Lease:

Abatements shall have the meaning set forth in Section 4 hereof.

Appraisal shall mean a procedure whereby two independent appraisers, neither of whom shall be a manufacturer of the Item of Leased Equipment for which appraisal is required, one chosen by the Lessee and one by the Lessor, shall mutually agree upon the amount in question. The Lessor or the Lessee, as the case may be, shall deliver a written notice to the other party appointing its appraiser within 15 days after receipt from the other party of a written notice appointing that party's appraiser.

If within 15 days after appointment of the two appraisers, as described above, the two appraisers are unable to agree upon the amount in question, a third independent appraiser, who shall not be a manufacturer of such Item of Leased Equipment, shall be chosen within five days thereafter by the mutual consent of such first two appraisers or, if such first two appraisers fail to agree upon the appointment of a third appraiser, such appointment shall be made by an authorized representative of the American Arbitration Association or any organization successor thereto. The decision of the third appraiser so appointed and chosen shall be given within 10 days after the selection of such third appraiser and, upon receipt of such decision, the amount in question shall be definitively determined by averaging the respective decisions of all three appraisers and, thereafter such amount shall be binding and conclusive on the Lessor and the Lessee. The Lessor and the Lessee shall pay the fees and expenses of the respective appraisers appointed by them. The fees and expenses of the third appraiser, if any, shall be equally divided between Lessee and Lessor.

Basic Rent, Supplemental Rent and Rent shall have the meanings set forth in Section 3 hereof.

Beneficiary, Rent Commencement Date, Late Payment Rate, Basic Rent Dates, First Delivery Date, Final Delivery Date, Interim Rent Date, First Basic Rent Date, Last Basic Rent Date, Expiration Date, Basic Lease Rate Factor, Daily Lease Rate Factor, Lease Extension Periods, Equipment Marking, Return of Equipment, and Net Salvage Value shall have the meanings with respect to a Group of Equipment set forth in Exhibit C hereto, if, and to the extent, such terms are applicable to this Lease.

Business Day shall have the meaning set forth in the Participation Agreement.

Casualty Value and, if, and to the extent, such term is applicable to this Lease, Termination Value shall have the meanings with respect to each Group of Equipment set forth in Exhibit D hereto.

Certificates shall mean those equipment trust certificates issued under the Indenture in connection with the purchase of Leased Equipment.

Certificate of Acceptance shall mean a certificate of acceptance substantially in the form of Exhibit B hereto.

Claims shall have the meaning set forth in Section 13 hereof.

Closing Date shall have the meaning set forth in the Participation Agreement.

Code shall have the meaning set forth in Section 15 hereof.

Default shall mean an event which, after the giving of notice or lapse of time, or both, would mature into an Event of Default.

Depreciation Deduction, Interest Deduction and Investment Credit shall have the meanings set forth in Section 15 hereof.

Equipment, and individually an Item or Item of Equipment, shall mean the items of equipment described in Exhibit A hereto.

Event of Default shall have the meaning set forth in Section 17 hereof.

Event of Loss shall have the meaning set forth in Section 11 hereof.

Fair Market Rental Value of an Item of Leased Equipment shall be determined on the basis of, and shall mean the amount which would be obtainable in, an arm's-length lease transaction between an informed and willing lessee (other than a lessee currently in possession) under no compulsion to lease and an informed and willing lessor under no compulsion to lease, in accordance with a lease on terms and conditions as herein provided. If the Lessor and the Lessee are unable to agree upon a determination of Fair Market Rental Value with respect to an Item of Leased Equipment, such Fair Market Rental Value shall be determined in accordance with the procedure for Appraisal.

Fair Market Value of an Item of Leased Equipment shall be determined on the basis of, and shall mean the amount which would be obtainable in, an arm's-length transaction between an informed and willing buyer or user (other than a lessee currently in possession) under no compulsion to buy and an informed and willing seller under no compulsion to sell, and in such determination costs of removal from the location of current use to Lark, Utah shall not be a deduction from such value. If the Lessor and the Lessee are unable to agree upon a determination of Fair Market Value with respect to a particular Item of Leased Equipment, such Fair Market Value shall be determined in accordance with the procedure for Appraisal.

Group of Equipment and Lessor's Cost shall have the meanings set forth in the Certificate of Acceptance with respect to each Item of Leased Equipment.

Impositions shall have the meaning set forth in Section 8 hereof.

Improvement shall have the meaning set forth in Section 9 hereof.

Indenture shall mean the Equipment Trust Agreement dated as of the date hereof between United States Trust Company of New York, a New York corporation (the Trustee), and the Lessor.

Leased Equipment, and individually an Item of Leased Equipment, shall have the meanings set forth in Section 2 hereof.

Liens and Lessor's Liens shall have the meanings set forth in Section 5 hereof.

Loss shall have the meaning set forth in Section 15 hereof.

Participation Agreement shall mean the agreement, dated as of the date hereof among the Lessee, each Beneficiary, and the entity named therein as Lender.

Person shall mean any individual, partnership, corporation, trust, unincorporated association or joint venture, a government or any department or agency thereof, or any other entity.

Purchase Documents shall mean those documents entered into by the Lessor with the Manufacturer of the Equipment, or by the Lessee and assigned to the Lessor, as are necessary and appropriate to consummate the purchase of the Equipment by the Lessor.

Replacement Part shall have the meaning set forth in Section 9 hereof.

Requisition of Use shall have the meaning set forth in Section 11 hereof.

Return to Manufacturer shall have the meaning set forth in Section 11 hereof.

SECTION 2. Lease of Equipment.

Subject to the terms and conditions of this Lease, the Lessor hereby agrees to lease to the Lessee, and the Lessee hereby agrees to lease from the Lessor, such Items of Equipment as the Lessor shall have acquired, or become obligated to pay for, pursuant to the Purchase Documents (Leased Equipment, and individually an Item of Leased Equipment). Subject to Section 7 of the Participation Agreement, upon delivery of each Item of Leased Equipment to the Lessor on or after the First Delivery Date, but on or before the Final Delivery Date, the Lessee will either (a) cause an authorized representative of the Lessee to inspect the same and, if such Item is found to be in good order, to accept such Item and to execute and deliver a Certificate of Acceptance with respect thereto or (b) if the Lessee, acting in good faith, should find that such Item is not in good order, return the same to the manufacturer or seller thereof. Each item

of Leased Equipment delivered to the Lessee in accordance with the Purchase Documents shall be subject to the terms and conditions of this Lease from the date the Lessor becomes obligated to pay for such Item.

SECTION 3. Term and Rent.

(a) The term of this Lease shall begin on the date the first Item of Equipment shall become subject to the terms of this Lease and shall end on the Expiration Date unless this Lease shall have been terminated, or the term of this Lease shall have been extended, by the terms hereof.

(b) The Lessee shall pay to the Lessor as basic rent (herein referred to as Basic Rent) for each Item of Leased Equipment, the following:

(1) on the Interim Rent Date, an amount equal to the Daily Lease Rate Factor, if any, multiplied by the Lessor's Cost of such Item, for each day elapsed from, and including, the Rent Commencement Date with respect to such Item to, but excluding, the Interim Rent Date;

(2) on the First Basic Rent Date, an amount equal to the Basic Lease Rate Factor multiplied by the Lessor's Cost of such Item; and

(3) on each Basic Rent Date thereafter to, and including, the Last Basic Rent Date, an amount equal to the Basic Lease Rate Factor multiplied by the Lessor's Cost of such Item.

(c) The Lessee shall pay to the Lessor the following amounts (herein referred to as Supplemental Rent and, together with all Basic Rent, as Rent):

(1) on demand, any amount due and payable hereunder (other than Basic Rent, Casualty Value and Termination Value, if any) which the Lessee assumes the obligation to pay, or agrees to pay, under this Lease to the Lessor;

(2) on the date provided herein, any amount payable hereunder as Casualty Value or Termination Value, if any; and

(3) on demand, to the extent permitted by applicable law, interest (computed on the basis of a 360-day year of actual days elapsed) at the Late Payment Rate on any payment of Basic Rent, Casualty Value or Termination Value and any other Supplemental Rent, if any, not paid when due for any period during which the same shall be overdue.

(d) Subject to the provisions of Section 10(a) of the Participation Agreement, all payments of Rent hereunder shall be made so that the Lessor shall have immediately available funds no later than 1:00 P.M. New

York City time on the date payable hereunder and shall be paid to the Lessor at its address set forth herein or at such other address or to such other Person as the Lessor may direct by notice in writing to the Lessee.

SECTION 4. Net Lease.

This Lease is a net lease, and the Lessee acknowledges and agrees that the Lessee's obligation to pay all Rent hereunder, and the rights of the Lessor in and to such Rent, shall be absolute and unconditional and shall not be subject to any abatement, reduction, set-off, defense, counterclaim or recoupment (Abatements) for any reason whatsoever, including, without limitation, Abatements due to any present or future claims of the Lessee against the Lessor under this Lease or otherwise, against the manufacturer or seller of any Item of Leased Equipment, or against any other Person for whatever reason. Except as otherwise expressly provided herein, this Lease shall not terminate, nor shall the obligations of the Lessee be affected, by reason of any defect in or damage to, or any loss or destruction of, the Leased Equipment or any Item thereof from whatsoever cause, or the interference with the use thereof by the Lessor or any Person, or the invalidity or unenforceability or lack of due authorization of this Lease or lack of right, power or authority of the Lessor to enter into this Lease, or any failure of the Lessor to perform any obligation of the Lessor to the Lessee or any other Person under this Lease, the Participation Agreement or any instrument or document executed in connection herewith, or for any other cause, whether similar or dissimilar to the foregoing, any present or future law or regulation to the contrary notwithstanding, it being the express intention of the Lessor and the Lessee that all Rent payable by the Lessee hereunder shall be, and continue to be, payable in all events unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease.

SECTION 5. Return of Equipment.

Upon the expiration or termination of this Lease or any storage period as provided in Section 24 hereof, the Lessee, at its own risk and expense, will return the Items of Leased Equipment then subject to this Lease to the Lessor pursuant to the Lessor's instructions set forth under the heading Return of Equipment in Exhibit C hereto and in the condition in which such Leased Equipment is required to be maintained pursuant to Section 9 hereof. Such Leased Equipment, upon redelivery pursuant hereto, shall be free and clear of all mortgages, liens, security interests, charges, claims or other encumbrances (Liens) other than Liens either (a) created or granted by the Lessor, including any such Liens created or granted in connection with the purchase or financing of the Leased Equipment, or (b) resulting from claims against the Lessor not related to the Lessor's ownership of the Leased Equipment (Liens described in clauses (a) and (b) above being herein referred to as Lessor's Liens). Lessee may, on or before the date of redelivery and at its own expense remove any Improvement installed or affixed to an Item of Leased Equipment by the Lessee if such removal does not cause material damage to such Item.

SECTION 6. Warranty of the Lessor.

(a) The Lessor warrants that during the term of this Lease, if no Event of Default has occurred, the Lessee's use of the Leased Equipment shall not be interrupted by the Lessor or anyone claiming solely through or under the Lessor.

(b) The warranty set forth in paragraph (a) of this Section is in lieu of all other warranties of the Lessor, whether written, oral or implied with respect to this Lease or the Leased Equipment, and the Lessor shall not be deemed to have modified in any respect the obligations of the Lessee pursuant to Section 4 hereof, which obligations are absolute and unconditional. THE LESSEE EXPRESSLY AGREES TO LEASE EACH ITEM OF LEASED EQUIPMENT "AS IS." THE LESSOR SHALL NOT BE DEEMED TO HAVE MADE, AND THE LESSOR HEREBY DISCLAIMS, ANY OTHER REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING, WITHOUT LIMITATION, THE DESIGN OR CONDITION OF THE LEASED EQUIPMENT, ITS MERCHANTABILITY OR ITS FITNESS FOR ANY PARTICULAR PURPOSE, THE QUALITY OF THE MATERIAL OR WORKMANSHIP OF THE LEASED EQUIPMENT OR CONFORMITY OF THE LEASED EQUIPMENT TO THE PROVISIONS AND SPECIFICATIONS OF ANY PURCHASE ORDER OR ORDERS RELATING THERETO, NOR SHALL THE LESSOR BE LIABLE FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING STRICT OR ABSOLUTE LIABILITY IN TORT), but the Lessor authorizes the Lessee, at the Lessee's expense, to assert for the Lessor's account, during the term of this Lease, so long as no Event of Default shall have occurred hereunder, all of the Lessor's rights under any applicable manufacturer's or seller's warranty and the Lessor agrees to cooperate with the Lessee in asserting such rights; provided, however, that the Lessee shall indemnify the Lessor and hold the Lessor harmless from and against any and all claims, and all costs, expenses, damages, losses and liabilities incurred or suffered by the Lessor in connection with, as a result of, or incidental to, any action by the Lessee pursuant to the above authorization. Lessee is hereby authorized to make any necessary adjustments on Lessor's behalf with any manufacturer of Leased Equipment pursuant to any applicable warranty and to hold the monies payable from any manufacturer on account of such adjustments for application against future repairs and maintenance of the Leased Equipment.

SECTION 7. Liens.

The Lessee will not directly or indirectly create, incur, assume or suffer to exist any Liens on or with respect to the Leased Equipment, the Lessor's title thereto or any interest of the Lessor therein (and the Lessee will promptly, at its own expense, take such action as may be necessary duly to discharge any such Lien), except (a) the respective rights of the Lessor and the Lessee as herein provided, (b) Lessor's Liens, (c) Liens for taxes either not yet due or being contested by the Lessee in good faith with due diligence and by appropriate proceedings, and (d) inchoate materialmen's, mechanics', workmen's, repairmen's, employees' or other like Liens arising in the ordinary course of business of the Lessee and not delinquent.

SECTION 8. Taxes.

The Lessee agrees to pay and to indemnify the Lessor for, and hold the Lessor harmless from and against (on a net after-tax basis) all withholdings with respect to taxes and all taxes of any nature, form or description, together with any penalties, fines or interest thereon (Impositions), arising out of the transactions contemplated by this Lease and imposed against the Lessor, the Lessee or any Item of Leased Equipment by any Federal, state, local or foreign government or taxing authority upon or with respect to any Item of Leased Equipment or upon the sale, purchase, ownership, delivery, leasing, possession, use, operation, return or other disposition thereof, or upon the rentals, receipts or earnings arising therefrom, or upon or with respect to this Lease; provided however the foregoing indemnity shall not apply: (i) to any federal, state or local taxes (or any other Impositions) on or measured by the Lessor's (or any other Person's) net income from, upon or with respect to any Item of Leased Equipment or from the transactions contemplated by this Lease; (ii) to any federal, state or local taxes (or any other Impositions) based on or measured by the Lessor's (or any other Person's) gross income or receipts from, upon or with respect to any Item of Leased Equipment or as a result of the transactions contemplated by this Lease which are imposed in substitution for any federal, state or local taxes (or any other Impositions) referred to in clause (i) above; (iii) any federal, state or local taxes (or any other Impositions) imposed as a result of the willful misconduct or negligence of the party to be indemnified; (iv) any federal, state or local minimum tax imposed on or with respect to items of tax preference or any similar tax; (v) any taxes or any other Impositions which are included in Lessor's Cost; (vi) any taxes or other Impositions on or measured by any fees or compensation received by Lessor or any other Person for services rendered in connection with the transactions contemplated by this Lease; (vii) any taxes or Impositions (including any federal, state or local capital gain taxes) imposed upon the sale, transfer or other disposition of any Item of Leased Equipment or any portion thereof, all or any part of the beneficial interest in the Equipment, or all or any part of the Notes; provided, however, that nothing set forth in this Section 8 shall be deemed to abrogate or in any way affect any tax indemnification rights of Lessor pursuant to Section 15 hereof; (viii) any taxes or other Impositions not imposed as a result of an action of Lessee and which are fairly attributable to the events or periods after the end of the term of this Lease; or (ix) any amendment to the Trust Agreement without the prior written consent of Lessee.

If a claim is made against the Lessor for any such Impositions, with respect to which the Lessee is liable for payment or indemnification under this Section 8, the Lessor shall within 30 business days give the Lessee notice in writing of such claim and shall furnish the Lessee with copies of any request of information from any taxing authority relating to such Impositions, and shall in good faith, with due diligence and at the Lessee's expense, if requested in writing by the Lessee, contest (or shall permit Lessee to contest in the name of Lessor) the validity, applicability, or amount of such tax or other Impositions; provided, however, that

the Lessor shall not be required to take any action pursuant to this Section unless and until Lessor shall have reasonably determined that the action to be taken shall not result in the forfeiture or loss of any Item of Leased Equipment. If the Lessor shall obtain a refund of all or any part of any taxes or other Impositions attributable to any amount paid by the Lessee pursuant to this Section 8, Lessor shall promptly pay to Lessee the amount of such refund (plus any interest received thereon) together with any additional amounts theretofore paid by the Lessee in respect of such Impositions net of out-of-pocket expenses not otherwise reimbursed by the Lessee, so that the Lessor shall neither profit nor lose (on a net after-tax basis) from the Imposition, the indemnity and the refund in respect thereof; provided however, that no Event of Default shall have occurred and be continuing. If a claim is made against the Lessee or the Lessor for any Imposition, the party receiving notice of such claim shall promptly notify the other. In case any report or return is required to be made with respect to any obligation of the Lessee under this Section or arising out of this Section, the Lessee will either (after notice to the Lessor) make such report or return in such manner as will show the ownership of the Leased Equipment in the Lessor and send a copy of such report or return to the Lessor or will notify the Lessor of such requirement and make such report or return in such manner as shall be satisfactory to the Lessor and Lessee. The Lessor agrees to cooperate fully with the Lessee in the preparation of any such report or return.

SECTION 9. Use, Maintenance and Operation; Equipment Marking

(a) The Lessee agrees that its use of each Item of Leased Equipment will not violate any statutes, laws, ordinances or regulations of any governmental agency applicable to the use of the Leased Equipment, the violation of which would subject the Lessor to legal or administrative remedies or which would result in the invalidation of the Lender's security interest in any Item of Leased Equipment. Subject to the provisions of Section 14 hereof, the Lessee will at all times use the Leased Equipment solely in the conduct of its business and the Leased Equipment will remain in the possession and control of the Lessee within the geographic limits of the continental United States; provided, however, that upon giving of prior written notice to Lessor, Lessee may transfer possession and control of the Leased Equipment to any member of a consolidated group of companies of which Lessee is a member or to a joint venture or a partnership of which Lessee is a party or member; provided, further, that Lessee may upon the prior written consent of Lessor (which consent shall not be unreasonably withheld) transfer possession and control of the Leased Equipment to any other entity, and; provided, further, that Lessee shall not permit the removal of the Leased Equipment from the State of Utah unless and until Lessor shall have been given notice of such removal and financing statements have been filed and such other steps taken which, in the opinion of the Lessor and the Trustee, are sufficient to furnish notice of and protect the respective interests of the Lessor and the Trustee in the Leased Equipment in any such new location. Throughout the term of this Lease, the

possession, use and maintenance of the Leased Equipment shall be at the sole risk and expense of the Lessee. No relinquishment of possession or control of the Leased Equipment shall in any way discharge or diminish any of the Lessee's obligations hereunder.

(b) The Lessee shall use the Items of Leased Equipment only in the manner for which they were designed and intended and will, at its own cost and expense, repair and maintain each Item of Leased Equipment so as to keep it in as good condition as when delivered to the Lessee hereunder, ordinary wear and tear excepted. Any replacement made by the Lessee upon an Item of Leased Equipment in connection with repairing such Item shall be considered an accession to such Item, and title to such replacement part (any such replacement part being herein referred to as a Replacement Part) shall upon installation or affixation thereof, automatically vest in the Lessor. Effective upon installation or affixation of any Replacement Part, the Lessor shall be deemed to have disclaimed ownership of, and the Trustee shall be deemed to have released its security interest in, the original part so replaced.

(c) The Lessee may, without the prior written consent of the Lessor, either (1) repair any Item of Leased Equipment by the installation of a Replacement Part, or (2) affix or install any accessory, equipment or device on any Item of Leased Equipment or make any improvement or addition thereto (any such accessory, equipment or device, improvement or addition affixed or installed pursuant to this clause (2) being herein referred to as an Improvement) if such Improvement will not impair the originally intended function or use of any such Item and is readily removable without causing material damage to such Item of Leased Equipment, or (3) affix or install any Improvement required by law. Any other Improvement may be affixed or installed only with the prior written consent of the Lessor, which consent shall not be unreasonably withheld; provided, however, the Lessor may reasonably withhold consent to such affixation or installation upon failure by Lessee to agree to indemnify Lessor for tax liability which may be imposed due to such affixation or installation, it being understood, however, that the provisions of any such indemnity shall be substantially the same, mutatis mutandis, as those set forth in Section 9(d) hereof and that Lessor will not withhold such consent pursuant to this proviso if Lessee agrees to indemnify Lessor pursuant to such provisions or other provisions substantially similar thereto. Only such Improvements which are not so readily removable and which have been affixed to or installed on any Item with the consent of the Lessor shall upon affixation or installation become the property of the Lessor and thereupon each such Improvement shall become a part of the Item of Leased Equipment to which it is affixed or on which it is installed. Improvements which are readily removable but which are not removed by the Lessee at or prior to the expiration or termination of this Lease or within 30 days thereafter shall become the property of the Lessor as of the date of such expiration or termination. Lessor may by notice in writing require the Lessee to remove readily removable Improvements within 30 days of the expiration or termination of the Lease.

(d) If for any reason whatsoever all or any part of the cost of any Improvement referred to in clause 3 of Section 9(c) hereof made by the Lessee under and pursuant to the terms of this Lease or otherwise is required to be included in the gross income of the Lessor for Federal, state or local income tax purposes at any time prior to the time such Equipment is disposed of in a taxable transaction, the Lessee will pay Lessor, on demand, (i) an amount which, after deduction of all taxes required to be paid by Lessor in respect of the receipt thereof under the laws of any Federal, state or local government or taxing authority in the United States, shall be equal to the sum of the net additional Federal, state or local income taxes payable by Lessor from time to time as a result of such cost or portion thereof, plus (ii) the amount of any interest penalties or additions to taxes payable as a result of any such cost or portion thereof; it being understood that the amount payable pursuant to this sentence shall not be due and payable by Lessee prior to the payment by Lessor of such net additional Federal, state or local income taxes. If Lessor realizes a tax benefit as a result of any Improvement, Lessor shall pay Lessee an amount equal to such tax benefit (plus additional tax savings, if any, realized by Lessor as a result of the payment of such amount or the payment of such tax savings) when, as, if, and to the extent realized; provided, however, such payment shall in no event result in a reduction of Lessor's net after-tax annual rate of return from this Lease.

(e) The Lessee agrees that each Item of Leased Equipment shall be, and shall continue to be throughout the term of this Lease, personal property under applicable law. The Lessee agrees (1) to take such action as shall be required from time to time by the Lessor to protect the respective interests of the Lessor and the Trustee in each such Item and the right of the Lessor to remove the same, and (2) not to affix any Item of Leased Equipment to any real property if, as a result thereof, any such Item will become a fixture under applicable law.

(f) The Lessee agrees, at its own cost and expense, to (1) cause each Item of Leased Equipment to be kept numbered with the identification or serial number therefor as specified in the Certificate of Acceptance therefor, and (2) maintain the Equipment Marking on each Item of Leased Equipment and such other markings as from time to time may be required by law or otherwise deemed necessary by the Lessor in order to protect the title of the Lessor to such Item of Leased Equipment, the rights of the Lessor under this Lease and the Liens granted by the Lessor in financing the Lessor's Cost of the Leased Equipment. The Lessee will not place any Item of Leased Equipment in operation or exercise any control or dominion over the same until such Equipment Marking has been placed thereon. The Lessee will promptly replace at its own cost and expense any such Equipment Marking which may be removed, defaced or destroyed.

SECTION 10. Inspection.

The Lessor shall have the right, but not the duty, to inspect the Leased Equipment at its own expense. Upon the request of the Lessor,

the Lessee shall confirm to the Lessor the location of each Item of Leased Equipment and shall, at any reasonable time, make the Leased Equipment, and the Lessee's records pertaining to the Leased Equipment, available to the Lessor for inspection.

SECTION 11. Loss or Destruction;
Requisition of Use.

(a) In the event that any Item of Leased Equipment shall be or become damaged, worn out, destroyed, lost, stolen, or permanently rendered unfit for use for any reason whatsoever, or title thereto or use thereof shall be requisitioned or otherwise taken by any governmental authority under power of eminent domain or otherwise (any such taking being herein referred to as a Requisition of Use), or any Item of Leased Equipment is returned to the manufacturer or seller thereof pursuant to the patent indemnity or warranty provisions of the Purchase Documents (any such return being herein referred to as Return to Manufacturer), such fact shall promptly be reported by the Lessee to the Lessor; provided, however, that no such report need be made with respect to damage to any Item of Equipment if the cost of repairing the same shall amount to less than \$25,000.

(b) The Lessee shall determine, within 15 days after the date of occurrence of any such damage or wearing out, whether such Item of Leased Equipment can be repaired or replaced.

(c) In the event the Lessee determines that such Item cannot be economically repaired, in the event that the Lessee determines not to replace such item, or in the event of such destruction, loss, theft, unfitness for use, Requisition of Use for a stated period which exceeds the term of this Lease, or Return to Manufacturer other than for modification in the event of patent infringement or for repair or replacement (any of such occurrences being referred to as an Event of Loss, and the date thereof being the date of such damage, wearing out, destruction, loss, theft, unfitness for use, such Requisition of Use or Return to Manufacturer), the Lessee shall promptly notify the Lessor in writing of such Event of Loss. On the Basic Rent Date next following the date of such Event of Loss, the Lessee shall pay to the Lessor the Casualty Value of such Item determined as of such Basic Rent Date, together with any Rent then due.

In the event the Lessee determines that such Item can be economically repaired or replaced, including repair or replacement in the event of Return to Manufacturer, the Lessee shall continue to make all payments of Basic Rent due with respect to such Item and shall (1) cause such Item to be repaired or replaced within 90 days after the occurrence of such damage or wearing out, and (2) in the event of replacement, take such action as may be required under and pursuant to the Indenture to perfect, protect and preserve any security interests granted by the Lessor under and pursuant to the Indenture; provided, however, that if the Lessee shall, within such 90-day period, have commenced the repair or replacement of such

Item and be diligently pursuing such repair or replacement, but is prevented from completing such repair or replacement within such 90-day period due to causes beyond the Lessee's control, then the time for repair or replacement shall be extended by the number of days necessary to complete such repair or replacement up to a maximum of 90 additional days, and provided, further, that if the Lessee shall fail to cause such Item to be repaired or replaced within such repair or replacement period, including any extension thereof, the Lessee shall, on the Basic Rent Date next following the end of such repair or replacement period, including any extension thereof, pay to the Lessor the Casualty Value of such Item, determined as of such Basic Rent Date, together with any Rent then due. If at such time no more Basic Rent is or will become payable under this Lease, the Casualty Value shall be paid within 30 days following, as appropriate, the Event of Loss or the repair or replacement period. The obligation of the Lessee to pay Rent during the above-described replacement or repair period shall remain in full force and effect and, upon replacement, any replacement item shall be considered an Item of Leased Equipment for all purposes of this Lease and the Lessee's obligation to pay Basic Rent with respect thereto shall be computed on the basis of the Lessor's Cost of the Item replaced. Notwithstanding the foregoing, the Lessee, pursuant to the provisions of Section 15 hereof, shall still be required to indemnify the Lessor for any Loss due to the Lessee's act of replacing such Item or otherwise causing such Item to be replaced, including replacement in the event of Return to Manufacturer. Upon making such Casualty Value payment in respect of such Item and all Rent due and owing with respect thereto, the Lessee's obligation to pay further Basic Rent for such Item shall cease, but the Lessee's obligation to pay Supplemental Rent, if any, for such Item, and to pay Rent for all other Items of Leased Equipment, shall remain unchanged. Except in the case of loss, theft, destruction, or Return to Manufacturer, the Lessor shall be entitled to recover possession of such Item, unless possession of any such Item is required to be delivered to an insurance carrier (other than the Lessee) in order to settle an insurance claim arising out of the Event of Loss. The Lessor shall be entitled to retain any salvage value collected by such insurance carrier in excess of the amount paid to the Lessor by such insurance carrier. The Lessor shall be under no duty to the Lessee to pursue any claim against any governmental authority, but the Lessee may at its own cost and expense pursue the same on behalf of the Lessor in such manner as may be satisfactory to the Lessor. Any replacement Item replacing another Item in accordance with the provisions of this paragraph shall be in as good operating condition as, and shall have a value and utility at least equal to, the Item replaced, and no Item of Leased Equipment shall be modified upon Return to Manufacturer in order to cause such Item to be non-infringing, unless, after modification, such Item shall have a value and utility at least equal to the value and utility of such Item before modification, assuming the Item replaced or modified was in the condition and state of repair required to be maintained by the terms hereof.

(d) Following payment of the Casualty Value of an Item of Leased Equipment in accordance with the provisions of paragraph (c) of

this Section, the Lessee, if possible, shall, as agent for the Lessor, dispose of such Item as soon as it is able to do so for the best price obtainable. Any such disposition shall be on an as is, where is basis without recourse, representation or warranty, express or implied. As to each separate Item so disposed of, the Lessee may, after paying the Lessor the amounts specified in paragraph (c) of this Section, retain all amounts of such price up to the Casualty Value thereof and the Lessee's reasonable costs and expenses of disposition attributable thereto, and shall remit the excess, if any, to the Lessor. In the event of Return to Manufacturer of any Item of Leased Equipment, the Lessor agrees that the Lessee shall receive and retain all amounts payable to the Lessor by the manufacturer or seller of such Item, up to the amount, if any, of the Casualty Value paid by the Lessee to the Lessor hereunder, and any excess shall be paid over to or retained by the Lessor. With respect to a Requisition of Use of any Item of Leased Equipment for a stated period which exceeds the term of this Lease, the Lessor agrees that the Lessee shall receive and retain all amounts paid by any governmental authority up to the Casualty Value paid by the Lessee to the Lessor hereunder, and any excess shall be paid over and retained by the Lessor. With respect to insurance proceeds paid to Lessee or Lessor by reason of an Event of Loss, the Lessee shall retain all amounts paid by any insurer up to the Casualty Value paid by the Lessee to the Lessor hereunder, and any excess shall be paid over and retained by the Lessor. All insurance proceeds payable with respect to an Event of Loss shall be payable to the Lessee.

(e) Except as provided in this Section, the Lessee shall bear the risk of loss and shall not be released from its obligations hereunder in the event of any damage to any Item of Leased Equipment or any Event of Loss relating thereto.

(f) In the case of a Requisition of Use of any Item of Leased Equipment for an indefinite period or for a stated period which does not exceed the term of this Lease, such Requisition of Use shall not terminate this Lease with respect to such Item and each and every obligation of the Lessee with respect thereto shall remain in full force and effect. So long as no Event of Default shall have occurred and be continuing under this Lease, the Lessee shall be entitled to all sums, attributable to the period such Item is subject to this Lease, received by reason of any such Requisition of Use referred to in the preceding sentence, up to the amount of the Basic Rent paid by the Lessee during the period of such Requisition of Use, and the Lessor shall be entitled to all amounts in excess of the Basic Rent.

SECTION 12. Liability Insurance.

At its own expense Lessee shall maintain the following insurance with respect to each Item of Leased Equipment: Comprehensive General Liability Insurance with limits of at least \$500,000 bodily injury, including death, and \$500,000/500,000 property damage. Any policies with respect to such insurance shall (1) be with an insurance carrier acceptable to the

Lessor, it being understood, however, that the Lessee's present carrier, Liberty Mutual Insurance Company, is acceptable and that Lessor's acceptance of any other carrier designated by Lessee will not be unreasonably withheld, (2) name the Lessor, the Trustee and the Lessee as assureds, as their interests may appear, and (3) provide for at least 30 days' prior written notice by the insurance carrier to the Lessor in the event of cancellation, expiration or material modification. The Lessee shall, prior to the First Delivery Date and annually thereafter on the anniversary thereof, furnish appropriate evidence of such insurance.

SECTION 13. Indemnification.

The Lessee agrees to assume liability for, and does hereby agree to indemnify, protect, save and keep harmless the Lessor from and against any and all liabilities, obligations, losses, damages, penalties, claims (including, without limitation, claims involving strict or absolute liability in tort), actions, suits, costs, expenses and disbursements (including, without limitation, legal fees and expenses) of any kind and nature whatsoever (Claims) in any way relating to or arising out of this Lease or any document contemplated hereby, or the performance or enforcement of any of the terms hereof or thereof, or in any way relating to or arising out of the manufacture, purchase, acceptance, rejection, ownership, delivery, lease, sublease, possession, use, operation, maintenance, condition, registration, sale, return, storage or disposition of any Item of Leased Equipment or any accident in connection therewith (including, without limitation, latent and other defects, whether or not discoverable and any Claim for patent, trademark or copyright infringement); provided, however, that the Lessee shall not be required to indemnify the Lessor pursuant to this Section 13 for (a) any Claim in respect of any Item of Leased Equipment arising from acts or events which occur after possession of such Item of Leased Equipment has been redelivered to the Lessor in accordance with Section 5 or any other provision hereof, (b) any Claim resulting from acts which would constitute the willful misconduct or gross negligence of the Lessor, (c) any taxes or other Impositions (as defined in Section 8 hereof) or any amounts under Section 15 hereof; (d) any Claim arising from the breach of any express duty or express representation or warranty of the indemnified party contained in this Lease or any document contemplated by this Lease; (e) any Claim arising from the sale, transfer or other disposition of all or any part of the Leased Equipment or any beneficial interest therein, or all or any part of the Certificates; (f) any amendment to the Trust Agreement without the prior written consent of Lessee; or (g) any Claim for services rendered or expenses arising in connection with the negotiation, preparation or execution of this Lease or any document contemplated hereby or related hereto. Notwithstanding the foregoing, nothing set forth in this Section 13 shall be deemed to abrogate or in any way affect any rights of Lessor set forth in any other Section hereof. To the extent that the Lessor in fact receives indemnification payments from the Lessee under the indemnification provisions of this Section, the Lessee shall be subrogated, to the extent of such indemnity paid, to the Lessor's rights with respect to the

transaction or event requiring or giving rise to such indemnity; provided, however, that the Lessee shall not enforce any such rights by legal proceedings without the Lessor's approval, which approval shall not be unreasonably withheld or delayed. THE LESSEE AGREES THAT THE LESSOR SHALL NOT BE LIABLE TO THE LESSEE FOR ANY CLAIM CAUSED DIRECTLY OR INDIRECTLY BY THE INADEQUACY OF ANY ITEM OF LEASED EQUIPMENT FOR ANY PURPOSE OR ANY DEFICIENCY OR DEFECT THEREIN OR THE USE OR MAINTENANCE THEREOF OR ANY REPAIRS, SERVICING OR ADJUSTMENTS THERETO OR ANY DELAY IN PROVIDING OR FAILURE TO PROVIDE ANY THEREOF OR ANY INTERRUPTION OR LOSS OF SERVICE OR USE THEREOF OR ANY LOSS OF BUSINESS, ALL OF WHICH SHALL BE THE RISK AND RESPONSIBILITY OF THE LESSEE.

SECTION 14. Sublease and Assignment.

The Lessee will not, without the prior written consent of the Lessor, which consent will not be unreasonably withheld or unreasonably delayed, sublet or otherwise relinquish possession of any of the Leased Equipment or assign any of its rights hereunder; provided, however, that without such consent, the Lessee, so long as no event which, with the giving of notice or lapse of time or both, would become an Event of Default shall have occurred hereunder and be continuing, may assign this Lease or sublease any Item of Leased Equipment (i) upon written notice to the Lessor, to any member of the consolidated group of companies of which Lessee is a member (ii) upon prior written notice to the Lessor, to any person for a period or periods not in excess of an aggregate of 90 days in any successive 12 month period and (iii) to any joint venture or partnership to which Lessee is a party or member. No sublease shall be permitted hereunder unless (a) the rights of the sublessee thereunder are expressly subject and subordinate to the rights of the Lessor and any security assignee of the Lessor, (b) the Items of Leased Equipment to be subleased shall be used within the geographic limits of the continental United States, and (c) financing statements shall have been filed and such other steps shall have been taken which, in the opinion of the Lessor and the Trustee, are sufficient to furnish notice of and protect the interests of the Lessor and the Trustee in the Leased Equipment in any new location. No sublease, other relinquishment of the possession of any of the Leased Equipment or assignment by the Lessee of any of its rights hereunder shall in any way discharge or diminish any of the Lessee's obligations to the Lessor hereunder.

SECTION 15. Tax Indemnification.

(a) If by reason of any act, failure to act, or the misrepresentation of or by the Lessee set forth in Section 3(i) of the Participation Agreement (except as otherwise provided in (c) below) the Lessor shall not be allowed, or shall have had recaptured, all or any portion of

(1) the investment tax credit (the Investment Credit) allowed by section 38 and related sections of the Internal Revenue Code of

1954, as amended, and the Regulations thereunder (collectively called the Code), in an amount equal to the Investment Credit Percentage of Lessor's Cost of each Item of Leased Equipment set forth in Exhibit C hereto;

(2) the deduction for accelerated depreciation (the Depreciation Deduction) on each Item of Leased Equipment under various sections of the Code based upon the Depreciable Life, Depreciation Method and Net Salvage Value set forth in Exhibit C hereto; or

(3) the deduction under section 163 of the Code (the Interest Deduction) of any interest paid or accrued by the Lessor in accordance with the Lessor's method of accounting for tax purposes with respect to any indebtedness incurred by the Lessor in financing its purchase of each Item of Leased Equipment:

(any such disallowance or recapture being called herein a Loss,) then the Basic Lease Rate Factor applicable to such Item or Items of Leased Equipment shall, on and after the next succeeding Basic Rent Date, upon written notice to the Lessee by the Lessor that a Loss has occurred, be adjusted (based on the same assumptions used in arriving at the Basic Lease Rate Factor), and by taking into account all relevant tax effects to the Lessor as a result of such Loss, by such amount for such Item or Items, which by mutual agreement between the Lessee and the Lessor, will cause the Lessor's after tax rate of return (as disclosed to Arthur Andersen & Co. (Accounting Firm) on or before the date hereof) over the term of this Lease in respect to such Item or Items to equal the after tax rate of return that would have been available if the Lessor had been allowed the Investment Credit, the Interest Deduction and the Depreciation Deduction with respect to such Item or Items. In the event that the Lessee and Lessor fail to mutually agree on the amount of the adjustment, if any, the amount will be determined by the opinion of the Accounting Firm. If such Loss occurs after the Last Basic Rent Date, the Lessor shall notify the Lessee in writing of such Loss and the Lessee shall pay to the Lessor such sum as will (as determined by agreement between the Lessor and the Lessee) cause the Lessor's after tax rate of return (as disclosed to the Accounting Firm on or before the date hereof) over the term of this Lease (based on the assumptions disclosed to the Accounting Firm on or before the date hereof in respect of such Item, and taking into account all relevant tax effects to the Lessor as a result of such Loss), to equal the after tax rate of return that would have been available if the Lessor had been allowed the Investment Credit, the Interest Deduction and the Depreciation Deduction with respect to such Item.

(b) If the Internal Revenue Service shall make a claim which, if successful, would result in payment of an indemnity pursuant to this Section 15, the Lessor agrees to take such action in connection with contesting such claim (including such judicial proceedings) as the Lessee shall reasonably request from time to time, provided that (i) within 45 days after notice by the Lessor to the Lessee of such claim, the Lessee shall request in writing that such claim be contested; (ii) the Lessor, at

its sole option, may forego any and all administrative appeals, proceedings, hearings and conferences with the Internal Revenue Service in respect of such claim and may, at its sole option, either pay the tax claimed and sue for a refund in the appropriate United States District Court and/or the United States Court of Claims, as the Lessor shall elect, or contest such claim in the United States Tax Court, considering, however, in good faith such requests as the Lessee shall make concerning the most appropriate forum in which to proceed; (iii) the Lessee shall have furnished the Lessor with a written opinion of independent tax counsel selected by Lessee, which counsel shall be reasonably satisfactory to the Lessor, to the effect that a colorable defense exists to such claim; and (iv) the Lessee shall have agreed to indemnify and to secure the Lessor in a manner satisfactory to it for any liability or loss (other than any liability or loss unrelated to the transactions contemplated by this Lease) which the Lessor may incur as the result of contesting such claim and to pay the Lessor on demand all costs and expenses which the Lessor may incur in connection with contesting such claim, including, without limitation, (A) reasonable attorneys' and accountants' fees and disbursements, (B) the amount of any interest which may ultimately be payable to the United States Government as the result of contesting such claim, and (C) in the event the Lessor shall pay the tax claimed and then seek a refund and provided Lessee has not elected, as provided below, to pay the tax claimed, and the final determination of such claim shall be adverse to the Lessor, interest on the amount of the tax paid, computed for each day based on an interest rate equal to the Late Payment Rate from the date of payment of such tax to the date the Lessee shall reimburse the Lessor for the payment of such tax in accordance with the terms of this Section 15, it being expressly agreed that the Lessor shall in no event compromise or settle any such claim or cease to take such action to contest such claim as may be requested by the Lessee pursuant to this Section 15(b) without the written consent of the Lessee. Notwithstanding the foregoing, the Lessor shall have the right to compromise or settle any such claim or cease to take such action to contest such claim if it waives in writing its right to any indemnification with respect to such claim under this Section 15. If any such claim referred to above shall be made by the Internal Revenue Service and the Lessee shall have reasonably requested the Lessor to contest such claim as above provided and shall have duly complied with all of the terms of this Section 15(b), the Lessee's liability under this Section 15, with respect to such claim shall become fixed upon final determination of the Lessor's liability for the tax claimed and after giving effect to any refund obtained, together with interest thereon; but in all other cases the liability of the Lessee under Section 15 of this Lease shall become fixed at the time the Lessor makes payment of the tax attributable to the claim, subject to later readjustment in the event there is a final determination that all or any part of the claim is not sustained. In the event the Lessor elects to pay the tax claimed and sue for a refund, Lessee may pay the tax claimed, in which event the Lessor shall repay to Lessee any refund received, together with interest received thereon. In the case of any such claim by the Internal Revenue Service referred to above, the Lessor agrees to promptly notify the Lessee in writing of such claim and agrees not to make payment of the tax

claimed for at least 45 days after the giving of such notice (unless the Lessor and the Lessee shall mutually otherwise agree) and agrees to give to the Lessee any relevant information relating to such claim which may be particularly within the knowledge of the Lessor, and shall, subject to the first sentence of this Section 15(b), otherwise cooperate with the Lessee in good faith in order effectively to contest any such claim.

(c) The Lessee shall not be required to make any payment pursuant to the foregoing provisions of this Section 15 in respect of any Loss which is the direct result of any one or more of the following causes:

(1) an event whereby Lessee is required or permitted by any of the terms of this Lease to pay, and thereupon pays in full, the Casualty Loss Value, Termination Value or Fair Market Value;

(2) the disposition or transfer of the Equipment as a result of the exercise of any right of first refusal granted to the Lessee under this Lease.

(d) All rights, privileges, indemnities and obligations contained in this Section shall survive the expiration or other termination of this Lease.

(e) With respect to the provisions of this Section 15 the "Lessor", as used herein, shall mean the applicable Beneficiary, and each such Beneficiary is hereby made a third party beneficiary for purposes of the provisions hereof.

SECTION 16. Lease Extension.

(a) Provided that this Lease has not been terminated and provided that no Event of Default has occurred and is continuing hereunder, the Lessee shall have the option to extend the term of this Lease at the Expiration Date for such Lease Extension Periods as are provided for in Exhibit C hereto for a rental equal to the Fair Market Rental Value thereof, determined as of such Expiration Date.

(b) Not less than 120 days prior to the Expiration Date the Lessee may indicate, by written notice to the Lessor, the Lessee's interest in exercising the Lessee's lease extension option described above, which notice shall set forth the Lessee's estimate of the Fair Market Rental Value of the Leased Equipment as of the Expiration Date. If, on or before a date 90 days prior to the Expiration Date, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Rental Value of the Leased Equipment, such Fair Market Rental Value shall be determined in accordance with the procedure for Appraisal. After a determination of the Fair Market Rental Value of the Leased Equipment has been made in accordance with the procedure described above, the Lessee may exercise its option to extend the term of this Lease with respect to the Leased Equipment for the Fair Market Rental Value thereof by delivering written

notice of such exercise to the Lessor not less than 45 days prior to the Expiration Date.

SECTION 17. Events of Default.

The term Event of Default, wherever used herein, shall mean any of the following events under this Lease (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary, or come about or be effected by operation of law, or be pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) The Lessee shall fail to make any payment of Basic Rent within 10 days after the same shall become due or shall fail to make any payment of Rent when due other than Basic Rent 10 days after notice of such failure; or

(b) The Lessee shall fail to perform or observe any other covenant or agreement to be performed or observed by it under this Lease, the Participation Agreement or any agreement, document or certificate referred to in the Lease or in the Participation Agreement and delivered by the Lessee in connection herewith or therewith, and such failure shall continue for 45 days after written notice thereof from the Lessor to the Lessee; or

(c) Any representation or warranty (except the representation set forth in Section 3(i) of the Participation Agreement) made by the Lessee in the Participation Agreement or any agreement, document or certificate referred to in this Lease or in the Participation Agreement and delivered by the Lessee in connection herewith or therewith shall prove to have been incorrect in any material respect when any such representation or warranty was made or given; or

(d) A petition in bankruptcy or for reorganization or arrangement shall be filed by the Lessee; or the Lessee shall make an assignment for the benefit of creditors or consent to the appointment of a trustee or a receiver, or a trustee or a receiver shall be appointed for the Lessee, for any Item of Leased Equipment or for a substantial part of the Lessee's property without its consent and any such trustee or receiver shall not be dismissed within a period of 60 days; or bankruptcy, reorganization or insolvency proceedings shall be instituted against the Lessee and shall not be dismissed within a period of 60 days; or

(e) The Lessee shall (except as expressly permitted by the provisions of this Lease) attempt to remove, sell, transfer, encumber, part with possession of, assign or sublet any Item of Leased Equipment; or

(f) Default shall occur in the payment (beyond any period of grace permitted with respect thereto) of the principal of or interest on

any indebtedness of the Lessee for borrowed money outstanding in an amount of five million dollars or more when the same shall become due and payable, if as a result of such default any person would have a right to cause such indebtedness to become due prior to its stated maturity.

SECTION 18. Remedies.

(a) Upon the occurrence of any Event of Default and so long as the same shall be continuing, the Lessor may, at its option, declare this Lease to be in default by written notice to such effect given to the Lessee, and at any time thereafter, the Lessor may exercise one or more of the following remedies, as the Lessor in its sole discretion shall lawfully elect:

(1) Proceed by appropriate court action, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof;

(2) By notice in writing terminate this Lease, whereupon all rights of the Lessee to the use of the Leased Equipment shall absolutely cease and terminate but the Lessee shall remain liable as hereinafter provided; and thereupon the Lessee, if so requested by the Lessor, shall at its expense promptly return the Leased Equipment to the possession of the Lessor pursuant to Lessor's instructions set forth under the heading Return of Equipment in Exhibit C hereto and in the condition required upon the return thereof pursuant to and in accordance with the terms hereof, or the Lessor, at its option, may enter upon the premises where the Leased Equipment is located and take immediate possession of and remove the same by summary proceedings or otherwise. The Lessee shall, without further demand, forthwith pay to the Lessor an amount equal to any unpaid Rent due and payable for all periods up to and including the Basic Rent Date following the date on which the Lessor has declared this Lease to be in default, plus, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the Casualty Value of the Leased Equipment then subject to this Lease, computed as of the Basic Rent Date following the date on which the Lessor has declared this Lease to be in default. Following the return of the Leased Equipment to the Lessor pursuant to this paragraph (2) the Lessor shall proceed to sell the Leased Equipment in such manner as it shall deem appropriate. The proceeds of such sale shall be applied by the Lessor (A) first, to pay all costs, charges and expenses, including reasonable legal fees and disbursements, incurred by the Lessor as a result of the default and the exercise of its remedies with respect thereto, (B) second, to pay to the Lessor an amount equal to any unpaid Rent due and payable and the Casualty Value, to the extent not previously paid, and (C) third, to reimburse the Lessee for the Casualty Value to the extent previously paid by the Lessee as liquidated damages. Any surplus remaining thereafter shall be retained by the Lessor. To the extent

that all Basic Rent then due and payable with respect to the Leased Equipment and the Casualty Value in respect of such Leased Equipment have not been previously paid, the Lessee shall forthwith pay to the Lessor the sum of (i) the amount by which (X) the sum of (a) all Basic Rent then due and payable with respect to the Leased Equipment, (b) the Casualty Value or portion thereof not theretofore paid, and (c) the amount payable under clause (A) of the preceding sentence, exceeds (Y) the sale price of the Leased Equipment, and (ii) interest at the Late Payment Rate on the full amount of the Casualty Value, computed from the date the Casualty Value is payable hereunder until such Casualty Value is paid by the Lessee. During the continuance of any Event of Default, and if so requested by the Lessor in writing, Lessee will store the Leased Equipment for the period of time and otherwise as set forth in Section 24 hereof.

(b) The Lessee shall be liable for all costs, charges and expenses, including reasonable legal fees and disbursements, incurred by the Lessor by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto.

(c) No remedy referred to herein is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to above or otherwise available to the Lessor at law or in equity. No express or implied waiver by the Lessor of any Default or Event of Default hereunder shall in any way be, or be construed to be, a waiver of any future or subsequent Default or Event of Default. The failure or delay of the Lessor in exercising any rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies and any single or partial exercise of any particular right by the Lessor shall not exhaust the same or constitute a waiver of any other right provided herein.

SECTION 19. Special Terms and Modifications.

Any special terms or modifications set forth in Exhibit C hereto shall be applicable to this Lease as though fully set forth herein.

SECTION 20. Notices.

All communications and notices provided for herein shall be in writing and shall become effective when deposited in the United States mail, with proper postage for first-class mail, prepaid, addressed (a) if to the Lessor, at P.O. Box 30007, Salt Lake City, Utah 84125, Attention: Trust Department, Corporate Trust Division (with copies to (1) Itel Corporation, Financial Services Group, at One Embarcadero Center, San Francisco, California 94111, Attention: Contract Administration, (2) the Trustee, at 130 John Street, New York, New York 10038, Attention: Corporate Trust and Agency Division and (3) each Beneficiary, at its

address set forth in Exhibit C hereto), and (b) if to the Lessee, at its address set forth on the signature page hereof.

SECTION 21. Successors, Assigns and Indemnified Parties.

This Lease, including all agreements, covenants, representations, indemnities and warranties, shall be binding upon and inure to the benefit of, and may be enforced by, (1) the Lessor and its successors, assigns, agents, servants and personal representatives, and, where the context so requires, (i) each Beneficiary, and (ii) the Trustee, as assignee and secured party, and the successors, assigns, agents, servants and personal representatives of each Beneficiary and the Trustee, as assignee and secured party, and (2) the Lessee and its successors and, to the extent permitted hereby, assigns. With respect to clause (b) of the proviso to Section 13 hereof, the willful misconduct or gross negligence of the Lessor or any person entitled to indemnity thereunder shall not affect the rights of any other person indemnified under such Section 13.

SECTION 22. Voluntary Termination.

(a) The Lessee shall have the right, at any time on or after the Fortieth Basic Rent Date, on at least 180 days' prior written notice to the Lessor, to terminate this Lease with respect to any Item or Items of Leased Equipment, such termination to be effective on the Basic Rent Date next following the expiration of the 180-day notice period (the Termination Date); provided, however, that no Event of Default shall have occurred and be continuing hereunder, that such Items shall have become obsolete or surplus to the Lessee's requirements, and that Lessee shall not have the right to terminate this Lease during any Lease extension period. During the period from the giving of such notice until the Termination Date, the Lessor may, and the Lessee, as agent for the Lessor, shall, use their best efforts to obtain bids for the purchase of such Items of Leased Equipment. The Lessee shall certify to the Lessor in writing the amount of each bid received by the Lessee and the name and address of the party submitting such bid. The Lessee may utilize agents for purposes of fulfilling its obligations set forth in this Section. On the Termination Date, the Lessor shall sell such Items of Leased Equipment, without recourse or warranty, for cash to whosoever shall have submitted the highest bid prior to such date and shall transfer to such purchaser all of the Lessor's right, title and interest in and to such Items, and thereupon the Lessee shall deliver such Items of Leased Equipment so sold to the Lessor in accordance with the terms of Section 5 of this Lease. The Lessor shall certify in writing to the Lessee (i) the amount of such total sale price, (ii) the expenses incurred by the Lessor in connection with such sale, and (iii) that such total sale price represents the highest bid received by the Lessor for the purchase of such Items. The total sale price realized at such sale shall be retained by the Lessor, and, in addition, on the Termination Date, the Lessee shall pay to the Lessor the Basic Rent payment payable on such date and the amount, if any, by which (A) the Termination Value of such Items, computed as of the Termination Date, exceeds (B) the proceeds of such sale

less all expenses incurred by the Lessor in selling such Items. In the event no such sale takes place, the Lessee shall pay to the Lessor the Termination Value of such Items, computed as of the Termination Date, plus any expenses incurred by the Lessor in connection with attempting to arrange such sale and the Basic Rent payment then due. Upon payment of all amounts required to be paid by the Lessee pursuant to this paragraph (a), the obligation of the Lessee for all Basic Rent accruing hereunder with respect to such Items due and payable after, but not on or before, the Termination Date shall cease.

(b) Notwithstanding the foregoing, upon receipt of all bona fide bids for the purchase of such Items, the Lessor may, with the prior written consent of the Trustee, elect not to sell such Items to the highest bidder on the Termination Date, in which case the Lessee shall deliver such Items to the Lessor in accordance with the terms of Section 5 of this Lease. In addition, on the Termination Date, the Lessee shall pay to the Lessor the Basic Rent due on such Termination Date and the amount, if any, by which the Termination Value of such Items plus the amount of any expenses incurred by the Lessor directly or indirectly in connection therewith exceeds such highest bid. Upon such redelivery and the payment of such amount, if any, the obligation of the Lessee to pay all Basic Rent accruing under this Lease with respect to such Items due and payable after, but not on or before, the Termination Date shall cease.

(c) Notwithstanding the foregoing, provided that no Event of Default shall have occurred and be continuing hereunder, and provided further that the Lessor has not notified the Lessee in writing of the Lessor's election under paragraph (b) above, upon written notification given to the Lessor not less than 30 days prior to the Termination Date, the Lessee may elect to rescind the Lessee's notice of termination, in which case this Lease shall not terminate as set forth in this Section, but shall continue in full force and effect as though no such notice of termination had been given by the Lessee.

SECTION 23. Right of First Refusal.

(a) Provided that no Event of Default shall have occurred and be continuing hereunder, the Lessor agrees that for 180 days following the expiration of the term of this Lease or any extension thereof with respect to any Item of Leased Equipment, it will not sell or enter into a contract to sell such Item of Leased Equipment unless the Lessor shall have given the Lessee at least 20 Business Days' prior written notice of such sale, specifying the sale price and the terms of such sale, and the Lessee shall have the opportunity during the period ending five business days prior to such proposed date of sale to purchase such Item of Leased Equipment at the same price and on the same terms as specified in such notice; provided, however, that in no event shall such sale price be less than the Fair Market Value of such Item of Leased Equipment. If the Lessee shall fail to purchase such Item of Leased Equipment during such period then the

Lessor shall be free to sell the same for a period of 45 days at the sale price and upon the terms specified in such written notice. If the Lessor fails to sell such Item of Leased Equipment at said price and upon said terms during such 45 day period, then such Item of Leased Equipment shall then again become subject to the provisions of this Section 23(a).

(b) In the event the Lessee exercises such right of first refusal to purchase any Item of Leased Equipment, then, upon payment of the purchase price, the Lessor shall, upon request of the Lessee, execute and deliver to the Lessee, or to the Lessee's assignee or nominee, a bill of sale (without representations or warranties except that such Item of Leased Equipment is free and clear of all Liens by or in favor of any Person claiming by, through or under the Lessor or the Trustee) for such Item of Leased Equipment, and such other documents as may be required to release such Item of Leased Equipment from the terms and scope of this Lease and from the lien of the Indenture and to transfer title thereto to the Lessee or such assignee or nominee, in such form as may reasonably be requested by the Lessee, all at the Lessee's expense.

SECTION 24. Storage Agreement.

At the expiration of this Lease or any extension thereof, Lessee shall provide Lessor space for storage of the Equipment at a location on Lessee's property which does not subject the Leased Equipment to unusual hazard for a period of up to two months at no cost to Lessor for such space; provided, however, that Lessee shall otherwise have no other responsibility to Lessor for the Equipment during the period of storage including, without limitation, no obligation to protect or maintain the Equipment or to provide any security for the preservation of the Equipment, and provided, further, that Lessor shall and does indemnify and hold lessee harmless from any and all liability which Lessee may incur on account of the Equipment being present on Lessee's property, including, but not limited to, liability for taxes assessed on the Equipment or because of its storage on Lessee's property, except that Lessee shall be liable for any personal injury or property damage caused by Lessee's gross negligence or willful misconduct. Lessee agrees that Lessor and Lessor's agents shall have access to the Equipment for demonstration and inspection purposes during Lessee's normal business hours.

SECTION 25. Amendments and Miscellaneous.

(a) The terms of this Lease shall not be waived, altered, modified, amended, supplemented or terminated in any manner whatsoever except by written instrument signed by the Lessor and the Lessee; provided, however, that no such waiver, alteration, modification, amendment or supplement shall make any change, and no termination shall be made, which is prohibited by the Indenture or any Supplement without the consent of the Trustee.

(b) On expiration or termination of this Lease in accordance with the terms hereof, the provisions of this Lease shall terminate except

for those contained in Section 15; provided, however, that all rights arising hereunder prior to such expiration or termination shall remain in full force and effect and shall not be affected by such expiration or termination.

(c) Any provision of this Lease which may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, the Lessee hereby waives any provision of law which renders any provision hereof prohibited or unenforceable in any respect.

(d) This Lease shall constitute an agreement of lease and nothing herein shall be construed as conveying to the Lessee any right, title or interest in or to the Leased Equipment, except as lessee only.

(e) This Lease shall be governed by, and construed in accordance with, the laws of the State of New York.

(f) The division of this Lease into sections, the provision of a table of contents and the insertion of headings are for the convenience of reference only and shall not affect the construction or interpretation of this Lease.

(g) This Lease may be executed in any number of counterparts and by the different parties hereto on separate counterparts, all of which together shall constitute a single instrument, but the counterpart or counterpart set delivered to the Trustee shall be marked the "Original" and all other counterparts shall be marked "Duplicate Originals". No security interest in this Lease may be created through the transfer or possession of any counterpart set other than the "Original", but any "Duplicate Original" counterpart or counterpart set shall be valid evidence of this Lease for any other purpose.

(h) Although this Lease is dated as of the date first above written for convenience, the actual dates of execution hereof by the parties hereto are respectively the dates set forth under the signatures hereto, and this Lease shall be effective on the latest of such dates.

(i) The Lessor and the Lessee agree that for Federal income tax purposes the Lessor shall be the owner of the Equipment and the Lessee shall be the lessee thereof, and neither the Lessor nor any Beneficiary shall elect to treat the Lessee as having acquired the Equipment for investment tax credit purposes pursuant to Section 48(d) of the Code.

IN WITNESS WHEREOF, the parties hereto have each caused this Lease to be duly executed by their respective officers thereunto duly authorized.

By FIRST SECURITY BANK OF UTAH, N.A.,
not in its individual capacity, but
solely as Corporate Trustee and on
behalf of the Individual Trustee,
as Corporate Trustee

By 
Authorized Officer

Date October 13, 1978

KENNECOTT COPPER CORPORATION,
as Lessee

By A.T. Eln
Vice President

Date OCTOBER 19, 1978

Address: 161 East 42nd Street
New York, New York 10017
Attention: Vice President

The undersigned hereby certifies that the person executing this Lease on behalf of the Lessee holds the indicated office, was duly elected thereto and at all relevant times has been a duly qualified and acting officer of the Lessee.


Date _____

STATE OF UTAH,)
)
COUNTY OF SALT LAKE,)

On this 13 day of October 1978 before me personally appeared WILLIAM C. MCGREGOR, to me personally known, who, being by me duly sworn, says that he is an authorized officer of FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Verna A. O'Connor
Notary Public

My Commission Expires November 15, 1981

[Notary Seal]

My Commission expires

STATE OF NEW YORK,)
)
COUNTY OF NEW YORK,)

On this 19 day of October 1978 before me personally appeared AT. ELLIS, to me personally known, who being by me duly sworn, says that he is a Vice President of KENNECOTT COPPER CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Helen Waters
Notary Public

[Notary Seal]

My Commission expires

HELEN WATERS
NOTARY PUBLIC, State of New York
No. 31-4167650
Qualified in New York County
Commission Expires March 30, ~~1978~~
1979

EXHIBIT A
to Lease

DESCRIPTION OF EQUIPMENT

<u>Group of Equipment</u>	<u>Quantity</u>	<u>Description</u>	<u>Identifying Numbers</u>	<u>Estimated Lessor's Cost Per Item</u>
1	3	Ore Haulage Switch Locomotives - 1500 H.P. Diesel Electric Four Traction Motors	120-122	\$475,000
	7	Pit Production Locomotives 3000 H.P. Diesel Electric Six Traction Motor	101-107	\$700,000
	10	Pit Production Locomotives 2300 H.P. Diesel Electric Four Traction Motor	790-799	\$575,000
	2	Pit Support Locomotives	701,704	\$500,000

EXHIBIT B
to Lease

CERTIFICATE OF ACCEPTANCE NO. ____

under

EQUIPMENT LEASE dated as of September 1, 1978 (the Lease) between FIRST SECURITY BANK OF UTAH, N.A. and THOMAS C. CUTHBERT, as lessor (the Lessor), not in their individual capacities, but solely as trustees under a Trust Agreement dated as of September 1, 1978 between them and the Beneficial Owners therein named and Kennecott Copper Corporation, as lessee (the Lessee).

1. Items of Equipment

The Lessee hereby certifies that the Items of Equipment set forth and described in Schedule 1 hereto (which Schedule includes the amount of the Lessor's Cost of each such Item), constituting Items of Leased Equipment of the Group of Equipment indicated below, have been delivered to the location indicated below, inspected by the Lessee, found to be in good order and accepted as Items of Leased Equipment under the Lease, all on the Date of Acceptance set forth below:

Group of Equipment:

Location of Items of Equipment:

Date of Acceptance:

2. Representations by the Lessee

The Lessee hereby represents and warrants to the Lessor, each Beneficiary, the Trustee, and the Lender, as such terms are defined in the Lease and the Participation Agreement, that on the Date of Acceptance set forth above:

(1) The Lessee has satisfied or complied with all requirements set forth in the Participation Agreement, in any certificate of the Lessee and in the Lease to be satisfied or complied with on or prior to such Date of Acceptance.

EXHIBIT B
to Lease

(2) No Default or Event of Default under the Lease has occurred and is continuing on such Date of Acceptance.

(3) The Lessee has obtained, and there are in full force and effect, such insurance policies with respect to each Item of Leased Equipment accepted pursuant hereto as are required to be obtained under the terms of the Lease.

KENNECOTT COPPER CORPORATION,
as Lessee

By _____

Accepted on the Date of Acceptance
set forth in paragraph 1 above on
behalf of the Lessor: FIRST SECURITY
BANK OF UTAH, N.A. and THOMAS C.
CUTHBERT, not in their individual
capacities, but solely as trustees under
a Trust Agreement dated as of September 1,
1978 between them and First Security Bank
of Utah, N A. and Crocker National Bank,
as Lessor

[LESSEE]
as Authorized Representative

By _____

EXHIBIT B
to Lease

SCHEDULE 1 TO
CERTIFICATE OF ACCEPTANCE NO. _____

Description of Equipment and Lessor's Cost:

<u>Quantity</u>	<u>Manufacturer or Seller</u>	<u>Description</u>	<u>Identification or Serial Number</u>	<u>New or Used</u>	<u>Lessor's Cost</u>
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Total \$ _____

EXHIBIT C
to Lease

Group of Equipment 1
(18-year Basic Lease Term)

Date of Lease: As of September 1, 1978

Beneficiaries: First Security Bank of Utah, N.A.
79 South Main Street
Salt Lake City, Utah 84111
Attn: E. S. Cummings

Crocker National Bank
79 New Montgomery Street
San Francisco, CA 94105
Attn: Factoring/Commercial
Finance Division

Rent Commencement Date: With Respect to any Item of Leased
Equipment, the date on which the
Lessor makes any payment to the
Seller of such Item.

Late Payment Rate: A rate per annum equal to 1.5% over
the Long-Term Debt Rate of 9-3/4%
which may change in accordance with
the provisions set forth in Section
14(e) of the Participation Agreement,
but in no event at a rate per annum
greater than that permitted by
applicable law

Basic Rent Dates: Commencing on the First Basic Rent
Date and ending on the Last Basic
Rent Date, April 15, July 15, October
15 and January 15 of each year.

First Delivery Date: October 1, 1978

Final Delivery Date: December 31, 1978

Interim Rent Date: January 15, 1979

First Basic Rent Date: April 15, 1979

Last Basic Rent Date: January 15, 1997

Expiration Date: January 15, 1997

EXHIBIT C
to Lease

Basic Lease Rate Factor:

Payment Nos. 1-24	2.4578%*
Payment Nos. 25-48	2.0111%*
Payment Nos. 49-72	1.1173%*

Daily Lease Rate Factor:

1/360th of 120% of the prime interest rate of Bank of Montreal (California) (being the best per annum rate of interest charged by such Bank to its prime large commercial customers on short-term unsecured borrowings) in effect on the Rent Commencement Date with respect to an Item of Leased Equipment and as adjusted from time to time thereafter to reflect all changes in such prime interest rate effective on the next business day following each change in such prime interest rate.

Lease Extension Periods:

Five extension periods of three years each.

Equipment Marking:

Ownership subject to a Security Agreement filed pursuant to Section 20c of the Interstate Commerce Act.

Return of Equipment:

The Lessee will at its expense deliver the Leased Equipment to the railroad siding at Lark, Utah. Expenses of transporting the Leased Equipment from Lark, Utah shall be borne by Lessor.

Investment Credit Percentage:

10%

Depreciable Life:

A 12-year depreciable life pursuant to section 167(m) of the Code for an asset described in Asset Guideline Class No. 00.25.

*The Basic Lease Rate Factors are based upon an assumed long term debt rate (Long-Term Debt Rate) of 9-3/4%, which may change in accordance with the provisions set forth in Section 14(e) of the Participation Agreement. If the Long-Term Debt Rate does change, the parties hereto agree to execute such amendments and other documents as may be necessary to adjust the Basic Lease Rate Factors and all other terms dependent upon the Long-Term Debt Rate, including but not limited to the Casualty Values and Termination Values in order to reflect any such change in the Long-Term Debt Rate.

EXHIBIT C
to Lease

Depreciation Method:

200%-declining balance method switching to the sum-of-the-years digits method when most beneficial to the Beneficiary and without the prior consent of the Commissioner of Internal Revenue utilizing either the "modified half-year" or "half-year" convention pursuant to Reg. section 1.167(a)-11(c)(2) and taking into account the Net Salvage Value of the Leased Equipment.

Net Salvage Value:

0%

EXHIBIT D
to Lease

Group of Equipment 1

The Casualty Value and Termination Value of each Item of Leased Equipment shall be the percentage of Lessor's Cost of such Item set forth opposite the applicable rent payment:

Interim Rent Date and Basic Rent Payment Number		Casualty Value (a) (b)	Termination Value (a) (b)
1979			
Interim Rent Date	0	83.7597 %	%
	1	83.7991	
	2	83.7500	
	3	83.6316	
1980			
	4	83.4427	
	5	83.2028	
	6	82.8868	
	7	82.5096	
1981			
	8	82.0700	
	9	81.5834	
	10	81.0261	
	11	80.4106	
1982			
	12	79.7357	
	13	79.0142	
	14	78.2280	
	15	77.3869	
1983			
	16	76.4898	
	17	75.5468	
	18	74.5454	
	19	73.4928	
1984			
	20	72.3881	
	21	71.2384	
	22	70.0372	
	23	68.7890	
1985			
	24	67.4928	
	25	66.5998	
	26	65.6650	
	27	64.6924	
1986			
	28	63.6812	
	29	62.6353	
	30	61.5524	
	31	60.4345	
1987			
	32	59.2833	
	33	58.1031	
	34	56.8942	
	35	55.6559	

EXHIBIT D
to Lease

<u>Basic Rent Payment Number</u>	<u>Casualty Value</u> <u>(a) (b)</u>	<u>Termination Value</u> <u>(a) (b)</u>
1988		
36	54.3873	
37	53.0879	
38	51.7599	
39	50.4060	
1989		
40	49.0314	49.0314
41	47.6269	47.6269
42	46.2108	46.2108
43	44.7772	44.7772
1990		
44	43.3254	43.3254
45	41.8493	41.8493
46	40.3716	40.3716
47	38.8834	38.8834
1991		
48	37.3843	37.3843
49	36.7588	36.7588
50	36.1430	36.1430
51	35.5303	35.5303
1992		
52	34.9207	34.9207
53	34.3077	34.3077
54	33.7008	33.7008
55	33.0942	33.0942
1993		
56	32.4879	32.4879
57	31.8760	31.8760
58	31.2721	31.2721
59	30.6697	30.6697
1994		
60	30.0690	30.0690
61	29.4603	29.4603
62	28.8466	28.8466
63	28.2208	28.2208
1995		
64	27.5829	27.5829
65	26.9257	26.9257
66	26.2626	26.2626
67	25.5867	25.5867
1996		
68	24.8978	24.8978
69	24.1887	24.1887
70	23.4728	23.4728
71	22.7430	22.7430
1997		
72	20.0000	.0000

EXHIBIT D
to Lease

(a) Casualty Values and Termination Values are expressed as percentages of Lessor's Cost. Such percentages have been computed without regard to recapture of Investment Credit. Consequently, such percentages applicable on the Interim Rent Date or any Basic Rent Date where Casualty Values or Termination Values shall be payable with respect to an Event of Loss or a Termination Date occurring before the third, fifth or seventh anniversary of the date of acceptance set forth in the Certificate of Acceptance for such Item shall be increased by the percentage of Lessor's Cost set forth below, and for purposes of this Lease, Casualty Values and Termination Values payable on such dates shall be determined on the basis of the sum of such percentages:

<u>Anniversary of the Date of Acceptance</u>	<u>Percentage of Lessor's Cost To be Added to the Foregoing Percentage</u>
Third	22.1043 %
Fifth	14.7362 %
Seventh	7.3681 %

(b) In the event the Basic Lease Rate Factor is increased pursuant to the tax indemnification provisions set forth in Section 15 of the Lease, Casualty Values and Termination Values shall be adjusted accordingly.